

ALLENTOWN RESCUE MISSION, INC.

FINANCIAL REPORT

June 30, 2023

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A Professional Corporation

Certified Public Accountants | Business Consultants

ALLENTOWN RESCUE MISSION, INC.

Table of Contents
June 30, 2023 and 2022

	<u>Page</u>
Independent Auditor's Report	1-2
Combined Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Cash Flows	6
Statements of Functional Expenses	7-8
Notes to Financial Statements	9-20



Certified Public Accountants | Business Consultants

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Allentown Rescue Mission, Inc.
Allentown, Pennsylvania

Opinion

We have audited the accompanying financial statements of Allentown Rescue Mission, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Allentown Rescue Mission, Inc. as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Allentown Rescue Mission, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Allentown Rescue Mission, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance

and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Allentown Rescue Mission, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Allentown Rescue Mission, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

A handwritten signature in cursive script that reads "Buckno Lisicky & Company".

Allentown, Pennsylvania
August 7, 2024

ALLENTOWN RESCUE MISSION, INC.**Statements of Financial Position****June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 396,566	\$ 1,375,780
Accounts and grants receivable	120,242	115,099
Accounts receivable, related party	332,768	-
Prepaid expenses	6,055	10,673
Inventory	49,220	35,598
Property and equipment, net	2,544,042	2,681,380
Investments in outside perpetual trusts	<u>567,223</u>	<u>557,173</u>
TOTAL ASSETS	<u>\$ 4,016,116</u>	<u>\$ 4,775,703</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 45,724	\$ 73,457
Liability to clients, custodial funds	36,130	27,915
Accrued retirement	32,027	27,348
Accrued expenses	46,461	31,593
Annuities payable	<u>181,445</u>	<u>192,445</u>
TOTAL LIABILITIES	<u>341,787</u>	<u>352,758</u>
NET ASSETS		
Without donor restrictions	2,377,772	3,121,299
With donor restrictions	<u>1,296,557</u>	<u>1,301,646</u>
TOTAL NET ASSETS	<u>3,674,329</u>	<u>4,422,945</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 4,016,116</u>	<u>\$ 4,775,703</u>

ALLENTOWN RESCUE MISSION, INC.**Statements of Activities****Years Ended June 30, 2023 and 2022**

	Year Ending June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT			
Contributions and grants, private	\$ 2,651,190	\$ 12,603	\$ 2,663,793
Contributed nonfinancial assets	492,235	-	492,235
Grants, government	53,920	-	53,920
Clean team workforce development fees	996,668	-	996,668
Special events, net	6,165	-	6,165
Miscellaneous income	20,232	-	20,232
Net assets released from restrictions	<u>27,742</u>	<u>(27,742)</u>	<u>-</u>
TOTAL OPERATING REVENUE AND SUPPORT	<u>4,248,152</u>	<u>(15,139)</u>	<u>4,233,013</u>
OPERATING EXPENSES:			
Program services:			
Graduate program	348,865	-	348,865
Christian living transition program	359,292	-	359,292
Gateway center	694,017	-	694,017
Clean team workforce development	861,028	-	861,028
Supporting services:			
Management and general	615,675	-	615,675
Fundraising	<u>459,637</u>	<u>-</u>	<u>459,637</u>
TOTAL OPERATING EXPENSES	<u>3,338,514</u>	<u>-</u>	<u>3,338,514</u>
INCREASE (DECREASE) FROM OPERATIONS	<u>909,638</u>	<u>(15,139)</u>	<u>894,499</u>
NON-OPERATING REVENUES (EXPENSES)			
Gain on disposal of property and equipment	2,702	-	2,702
Change in value of outside perpetual trusts	-	10,050	10,050
Change in value of annuity payable	(30,949)	-	(30,949)
Transfers, related entity	<u>(1,624,918)</u>	<u>-</u>	<u>(1,624,918)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(1,653,165)</u>	<u>10,050</u>	<u>(1,643,115)</u>
CHANGE IN NET ASSETS	<u>(743,527)</u>	<u>(5,089)</u>	<u>(748,616)</u>
NET ASSETS, BEGINNING	<u>3,121,299</u>	<u>1,301,646</u>	<u>4,422,945</u>
NET ASSETS, ENDING	<u>\$ 2,377,772</u>	<u>\$ 1,296,557</u>	<u>\$ 3,674,329</u>

See Notes to Financial Statements.

ALLENTOWN RESCUE MISSION, INC.**Statements of Activities****Years Ended June 30, 2023 and 2022**

	Year Ending June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUE AND SUPPORT			
Contributions and grants, private	\$ 2,040,523	\$ 10,000	\$ 2,050,523
Contributed nonfinancial assets	388,046	-	388,046
Grants, government	224,783	-	224,783
Clean team workforce development fees	795,190	-	795,190
Special events, net	38,960	-	38,960
Miscellaneous income	4,732	-	4,732
Net assets released from restrictions	4,497	(4,497)	-
TOTAL OPERATING REVENUE AND SUPPORT	3,496,731	5,503	3,502,234
OPERATING EXPENSES:			
Program services:			
Graduate program	329,104	-	329,104
Christian living transition program	252,707	-	252,707
Gateway center	675,692	-	675,692
Clean team workforce development	774,091	-	774,091
Supporting services:			
Management and general	576,875	-	576,875
Fundraising	466,877	-	466,877
TOTAL OPERATING EXPENSES	3,075,346	-	3,075,346
INCREASE FROM OPERATIONS	421,385	5,503	426,888
NON-OPERATING REVENUES (EXPENSES)			
Gain on disposal of property and equipment	11,141	-	11,141
Change in value of outside perpetual trusts	-	(119,741)	(119,741)
Change in value of annuity payable	(23,613)	-	(23,613)
Transfers, related entity	257,658	-	257,658
TOTAL NON-OPERATING REVENUES (EXPENSES)	245,186	(119,741)	125,445
CHANGE IN NET ASSETS	666,571	(114,238)	552,333
NET ASSETS, BEGINNING	2,454,728	1,415,884	3,870,612
NET ASSETS, ENDING	\$ 3,121,299	\$ 1,301,646	\$ 4,422,945

See Notes to Financial Statements.

ALLENTOWN RESCUE MISSION, INC.**Statements of Cash Flows****Years Ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (748,616)	\$ 552,333
Adjustments to reconcile change in net assets to net cash provided by (used in) by operating activities:		
Depreciation	148,296	159,345
Gain on sale of property and equipment	(2,702)	(11,141)
Change in value of outside perpetual trusts	(10,050)	119,741
(Increase) decrease in assets:		
Accounts and grants receivable	(5,143)	(40,007)
Accounts receivable, related entity	(332,768)	-
Prepaid expenses	4,618	55,125
Inventory	(13,622)	1,795
Increase (decrease) in liabilities:		
Accounts payable	(27,733)	1,031
Liability to clients, custodial funds	8,215	15,798
Accrued retirement	4,679	(738)
Accrued expenses	14,868	(30,211)
Annuities payable	(11,000)	(18,337)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>(970,958)</u>	<u>804,734</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the sale of property and equipment	13,500	12,100
Purchase of property and equipment	(21,756)	(192,266)
NET CASH USED IN INVESTING ACTIVITIES	<u>(8,256)</u>	<u>(180,166)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(979,214)	624,568
CASH AND CASH EQUIVALENTS, BEGINNING	1,375,780	751,212
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 396,566</u>	<u>\$ 1,375,780</u>

ALLENTOWN RESCUE MISSION, INC.

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services				Supporting Activities			TOTAL	
	Graduate Program	Christian Living Transition Program	Gateway Center	Clean Team Workforce Development	Total Programs	Management and General	Fund Raising		Total Supporting Activities
Salaries and wages	\$ 84,162	\$ 146,247	\$ 275,810	\$ 614,260	\$ 1,120,479	\$ 350,304	\$ 191,734	\$ 542,038	\$ 1,662,517
Employee benefits	12,230	21,171	22,241	19,475	75,117	75,001	21,933	96,934	172,051
Payroll taxes	4,356	8,089	19,587	59,529	91,561	27,795	18,264	46,059	137,620
Professional services	4,101	2,499	9,539	5,819	21,958	55,715	48,750	104,465	126,423
Employee training and recruitment	-	185	90	221	496	6,819	1,282	8,101	8,597
Advertising	-	-	-	-	-	-	127,534	127,534	127,534
Postage	75	172	133	405	785	238	2,096	2,334	3,119
Transportation	5	1,515	13	39,908	41,441	-	-	-	41,441
Rent	3,955	1,663	6,193	4,433	16,244	576	203	779	17,023
Utilities	15,147	6,783	12,236	18,541	52,707	3,603	4,008	7,611	60,318
Property and liability insurance	18,445	9,962	23,504	39,701	91,612	13,338	7,447	20,785	112,397
Taxes and licenses	66	450	99	3,498	4,113	2,455	140	2,595	6,708
Repairs and maintenance	7,185	6,457	4,822	4,636	23,100	13,727	3,528	17,255	40,355
Building custodial	747	801	382	14,319	16,249	128	233	361	16,610
Food and supplies	156,215	119,779	256,989	506	533,489	5,291	2,345	7,636	541,125
Office expense	1,368	1,648	1,155	3,601	7,772	8,326	15,114	23,440	31,212
Dues, memberships and subscriptions	13	5	32	517	567	1,912	566	2,478	3,045
Telephone	934	1,659	1,050	105	3,748	8,826	1,357	10,183	13,931
Travel and meetings	-	358	18	191	567	3,106	203	3,309	3,876
Interest and bank charges	-	-	-	187	187	25,907	559	26,466	26,653
Payments to or on behalf of clients	21	9,087	22,549	2,263	33,920	14	3,618	3,632	37,552
Miscellaneous	16	6	39	23	84	27	-	27	111
TOTAL EXPENSES BEFORE DEPRECIATION	309,041	338,536	656,481	832,138	2,136,196	603,108	450,914	1,054,022	3,190,218
Depreciation	39,824	20,756	37,536	28,890	127,006	12,567	8,723	21,290	148,296
TOTAL EXPENSES	\$ 348,865	\$ 359,292	\$ 694,017	\$ 861,028	\$ 2,263,202	\$ 615,675	\$ 459,637	\$ 1,075,312	\$ 3,338,514

See Notes to Financial Statements.

ALLENTOWN RESCUE MISSION, INC.

Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services				Supporting Activities			TOTAL	
	Graduate Program	Christian Living Transition Program	Gateway Center	Clean Team Workforce Development	Total Programs	Management and General	Fund Raising		Total Supporting Activities
Salaries and wages	\$ 84,992	\$ 82,674	\$ 299,765	\$ 513,587	\$ 981,018	\$ 318,835	\$ 183,785	\$ 502,620	\$ 1,483,638
Employee benefits	18,441	8,841	41,611	23,853	92,746	72,453	28,769	101,222	193,968
Payroll taxes	4,612	5,290	17,101	51,887	78,890	23,280	13,446	36,726	115,616
Professional services	3,356	2,964	7,945	4,759	19,024	44,110	60,195	104,305	123,329
Employee training and recruitment	-	100	-	-	100	4,037	337	4,374	4,474
Advertising	-	-	-	480	480	-	132,699	132,699	133,179
Postage	23	108	409	426	966	5,292	4,323	9,615	10,581
Transportation	32	4,215	104	45,270	49,621	-	18	18	49,639
Rent	4,109	1,938	5,765	6,833	18,645	576	203	779	19,424
Utilities	14,759	6,609	14,588	19,855	55,811	3,511	1,239	4,750	60,561
Property and liability insurance	20,650	7,366	24,020	34,777	86,813	10,787	6,705	17,492	104,305
Taxes and licenses	2	273	134	3,123	3,532	4,572	43	4,615	8,147
Repairs and maintenance	10,267	4,677	14,545	9,892	39,381	10,686	747	11,433	50,814
Building custodial	448	460	2,664	15,083	18,655	75	27	102	18,757
Food and supplies	122,191	92,639	190,466	1,022	406,318	4,490	5,629	10,119	416,437
Office expense	1,759	1,420	2,214	4,695	10,088	15,786	15,666	31,452	41,540
Dues, memberships and subscriptions	14	36	-	472	522	1,459	350	1,809	2,331
Telephone	1,419	1,789	2,049	358	5,615	3,459	1,207	4,666	10,281
Travel and meetings	14	7	22	139	182	5,579	2,369	7,948	8,130
Interest and bank charges	-	-	-	605	605	34,776	-	34,776	35,381
Payments to or on behalf of clients	51	5,840	13,398	5,759	25,048	81	1	82	25,130
Miscellaneous	35	17	52	11	115	4	1	5	120
Bad debt expense	-	-	-	219	219	-	-	-	219
TOTAL EXPENSES BEFORE DEPRECIATION	287,174	227,263	636,852	743,105	1,894,394	563,848	457,759	1,021,607	2,916,001
Depreciation	41,930	25,444	38,840	30,986	137,200	13,027	9,118	22,145	159,345
TOTAL EXPENSES	\$ 329,104	\$ 252,707	\$ 675,692	\$ 774,091	\$ 2,031,594	\$ 576,875	\$ 466,877	\$ 1,043,752	\$ 3,075,346

See Notes to Financial Statements.

ALLENTOWN RESCUE MISSION, INC.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

NOTE 1. ORGANIZATION AND PURPOSE

Allentown Rescue Mission, Inc. (the "Mission"), is a not-for-profit corporation organized under the laws of the Commonwealth of Pennsylvania, with a mission of "Rescue, rehabilitation and restoration for men in crisis." For those in need, the Mission will meet physical, spiritual, emotional, social, and intellectual needs to the best of its capabilities. The Mission provides a safe and disciplined environment, teaching, counseling, rehabilitation, work, and referrals so that each person in need can work to achieve self-sufficiency.

The Mission is the sole member of four limited liability companies (Allentown Rescue Mission Clean Team, LLC, Allentown Rescue Mission Workforce Development, LLC, Brighter Future of the Allentown Rescue Mission, LLC and ARM Events, LLC) the operations of which are included under the activities of the Mission.

The Organization is exempt from federal income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code.

Descriptions of the Mission's programs are as follows:

Gateway Center

The Gateway Center (emergency shelter) is the most basic of the programs and is often the entry-point into the long-term programs. Emergency Shelter receives clients - literally - off the street, who have exhausted all support and typically have multiple and long-term problems.

The Mission provides 72 beds for homeless men; the shelter is open seven days a week.

Christian Living Transitional Program

The Christian Living and Values Transitional Program is a Christ-centered, residential program for the restoration of homeless men to God and the community. The program offers the Good News about Jesus Christ and spiritual growth opportunities, transitional housing and housing assistance, meals and clothing, life skills education, and referrals to other service providers.

Christian Living Graduate Program

The Graduate Program provides transitional housing for Christian Living Program graduates in a safe, clean, supportive environment that helps clients transition back into society. While in this program, clients receive structured support to obtain employment and permanent housing.

Clean Team Workforce Development

Clean Team Workforce Development is an innovative project of the Allentown Rescue Mission, employing men who are working their way out of homelessness. Clean Team Workforce Development is a training program, teaching men transferrable workplace

ALLENTOWN RESCUE MISSION, INC.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

skills, such as: promptness, safety, attentiveness, cooperation, and productivity. The goal for each participant is more than getting a job; it is to be a solid entry level worker, and a valued employee.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and reflect all material receivables and payables.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable consists of miscellaneous operating receivables collectible by the Organization. Accounts receivable are stated at unpaid balances, less allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on prior collection experience, analysis of customer's ability to pay, economic conditions and other circumstances, which may affect the ability of customers to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of June 30, 2023 and 2022, management has determined that no allowance is required.

Inventory

Inventory consist of food and other supplies. These items are stated at the lower of cost or market valued on a first-in, first-out basis. Donated food inventory is valued at an average of the national wholesale prices as determined by Feeding America.

Advertising

Advertising costs are expensed as incurred and were \$127,534 and \$133,179 for the years ended June 30, 2023 and 2022, respectively.

Outside Perpetual Trusts

The Mission is a beneficiary of two perpetual irrevocable trusts held and administered by

ALLENTOWN RESCUE MISSION, INC.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

independent trustees. Under the terms of the trusts, the Mission has the irrevocable right to receive a portion of the income earned on trust assets in perpetuity. The fair value of the beneficial interest in a trust is recognized as an asset and as a donor restricted contribution at the date the trust is established. The Mission's estimate of fair value at each reporting date is based on fair value information about the trust's assets received from the trustees. Trust assets consist of, but are not limited to, cash held for investment, real assets funds, equity securities, alternative investments, and fixed income securities. These assets are not subject to control or direction by the Mission. Distributions of income from the trusts are reported as investment income. Gains and losses, which are not distributed by the trusts, are reflected as the change in value of outside perpetual trusts in the statement of activities.

Property and Equipment

Property and equipment, other than contributed property and equipment, is stated at cost. Depreciation is computed by use of the straight-line method based on estimated useful lives. Such assets and lives are generally as follows:

	<u>Years</u>
Land Improvements	45
Buildings and Improvements	39-45
Equipment	5-7
Vehicles	5

The Organization reports gifts of land, building, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Additions and betterments of \$500 or more are capitalized while normal repair and maintenance expenditures are not capitalized because they neither add to the value of the property nor materially prolong its useful life.

Revenue and Revenue Recognition

The Organization's contract service income is recognized over time as the services are performed.

The Organization provides grounds maintenance, interior demolition and cleanup, and other labor related services in Allentown, Pennsylvania, to residential and commercial entities, including fixed fee and hourly rate contracts. For fixed fee contracts, the Organization is entitled to payment for its performance to date if the contracts are cancelled for any reason other than the Organization's nonperformance. As a result, contract revenue is recognized over time as services are rendered. Progress towards completion of the contracts is measured by the percentage of hours incurred to date to estimated total hours to complete the services due to management's belief that total

ALLENTOWN RESCUE MISSION, INC.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

hours are the best available measure of progress on contracts. For hourly rate contracts, revenue is recognized in the amount invoiced as that amount corresponds directly to the value of the Organization's performance to date.

Revenues from contracts with customers disaggregated based upon the timing of the transfer of services is as follows:

	<u>2023</u>	<u>2022</u>
Services transferred over time	<u>\$ 996,668</u>	<u>\$ 795,190</u>

The beginning and ending contract asset balances were as follows:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Accounts receivable	<u>\$ 115,458</u>	<u>\$ 109,044</u>	<u>\$ 75,092</u>

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. There are no conditional contributions for the years ended June 30, 2023 and 2022.

A portion the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization received cost-reimbursable grants of \$53,920 and \$224,783 for the years ended June 30, 2023 and 2022. The Organization has no refundable advances related to these grants as of June 30, 2023 and 2022.

Special events revenue is comprised of an exchange element based upon the direct benefits donors receive and a contribution element for the difference. We recognize special event revenue equal to the fair value of direct benefit to donors when the special event takes place. We recognize the contribution element of special event revenue immediately, unless there is a right of return if the special event does not take place.

Allocation of Expenses by Function

The Organization's method for allocating expenses among the functional reporting classifications which cannot be specifically identified as program services or supporting activities are based on estimates made for time spent by key personnel between functions, space occupied by function, consumption of supplies and postage by function, and other objective bases.

ALLENTOWN RESCUE MISSION, INC.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

Cash Equivalents

For purpose of the Statement of Cash Flows, the Organization considers certificates of deposit and all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Operating vs Non-Operating Revenues and Expenses

The Organization's operating revenues and expenses on the Statement of Activities is based on the Organization's operating budget. All other revenues and expenses are reported as non-operating.

Income Taxes

The Organization is a nonprofit organization incorporated in the Commonwealth of Pennsylvania and exempt from federal income taxes under 501(c)(3) of the Internal Revenue Code.

The Organization follows the accounting guidance as codified in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, Income Taxes - Uncertainty in Income Taxes. FASB ASC 740 clarifies the accounting for uncertainties in income taxes recognized in the Organization's financial statements. The standard prescribes a recognition threshold of more likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The standard also provides guidance on derecognition, classification, interest and penalties and disclosure.

The Organization has no material unrecognized tax benefits or accrued interest or penalties. The Organization has filed tax returns in the U.S. and Commonwealth of Pennsylvania. The years ended June 30, 2021, 2022 and 2023 are open for examination by taxing authorities generally for three years after filing.

Management's Review

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 7, 2024, the date the financial statements were available to be issued.

ALLENTOWN RESCUE MISSION, INC.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

NOTE 3. LIQUIDITY AND AVAILABLE RESOURCES

Looking forward, financial assets available for general expenditure within one year of the statement of financial position date comprise of the following at June 30, 2023 and 2022:

Financial assets available to fund general operations within one year:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 396,566	\$ 1,375,780
Accounts and grants receivable	120,242	115,099
Accounts receivable, related entity	<u>332,768</u>	<u>-</u>
	849,576	1,490,879
Less those unavailable for general expenditures within one year due to:		
Financial assets subject to donor restrictions for specified purpose	<u>(729,334)</u>	<u>(744,473)</u>
	<u>\$ 120,242</u>	<u>\$ 746,406</u>

As part of the Organization's liquidity management strategy, the Organization structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 4. FAIR VALUE MEASUREMENTS

The Organization adopted FASB ASC 820-10, Fair Value Measurements and Disclosures, as it pertains to its financial assets and liabilities. ASC 820-10 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, based on assumptions that market participants at the measurement date, based on assumptions that market participants would use, including consideration for non-performance risk.

Management assesses the inputs used to measure fair value using a three-tier hierarchy based on the extent to which inputs used in measuring fair value are observable in the market. The three levels of the fair value hierarchy under FASB ASC 820-10 are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;

ALLENTOWN RESCUE MISSION, INC.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. The Organization has an investment in a Limited Partnership and Outside Perpetual Trusts classified as Level 3 assets.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Outside Perpetual Trusts: Measured based on quoted market prices of the underlying securities and other relevant information generated by market transactions, divided by the Mission's share based on its pro-rata share of distributable income of the Trusts.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. There were no transfers between Level 1, Level 2 and Level 3 investments in 2023 and 2022. Transfers would be recognized at the end of the reporting period.

The following table sets forth by level, within the fair value hierarchy, the Organizations' assets at fair value as of June 30, 2023 and 2022:

	Assets at Fair Value as of June 30, 2023			
	Level 1	Level 2	Level 3	Total
Outside Perpetual Trusts	\$ -	\$ -	\$ 567,223	\$ 567,223
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 567,223</u>	<u>\$ 567,223</u>

	Assets at Fair Value as of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Outside Perpetual Trusts	\$ -	\$ -	\$ 557,173	\$ 557,173
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 557,173</u>	<u>\$ 557,173</u>

See Note 7 for a summary of changes in the fair value of the Organization's Level 3 assets for the year ended June 30, 2023 and 2022.

ALLENTOWN RESCUE MISSION, INC.**Notes to Financial Statements****Years Ended June 30, 2023 and 2022****NOTE 5. ACCOUNTS AND GRANTS RECEIVABLE**

Accounts receivable consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Clean Team service fees	\$ 115,458	\$ 109,044
Grants receivable	3,429	6,055
Other receivables	1,355	-
	<u>\$ 120,242</u>	<u>\$ 115,099</u>

NOTE 6. PROPERTY AND EQUIPMENT

Property and equipment as of June 30 is as follows:

	<u>2023</u>	<u>2022</u>
Land and buildings	\$ 4,294,139	\$ 4,292,517
Furniture and equipment	791,853	771,718
Vehicles	106,390	119,490
	5,192,382	5,183,725
Less: accumulated depreciation	<u>(2,648,340)</u>	<u>(2,502,345)</u>
	<u>\$ 2,544,042</u>	<u>\$ 2,681,380</u>

Depreciation expense was \$148,296 and \$159,345 for the years ended June 30, 2023 and 2022, respectively.

NOTE 7. OUTSIDE PERPETUAL TRUSTS

Allentown Rescue Mission, Inc. has two perpetual trusts that provide for annual distributions of income to the Organization as beneficiary. The trusts at June 30, 2023 and 2022 are as follows:

	<u>% Interest</u>	<u>2023</u>	<u>2022</u>
Trust under agreement of Beuhler Memorial Fund Trust	5%	\$ 173,056	\$ 170,128
Trust under agreement of Charles and Mayme Smith	50%	394,167	387,045
		<u>\$ 567,223</u>	<u>\$ 557,173</u>

ALLENTOWN RESCUE MISSION, INC.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

Investments of the trusts, at fair value, consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Cash held for investment	\$ 18,962	\$ 17,896
Real asset funds	20,987	9,762
Equity securities	314,447	329,601
Fixed income securities	<u>212,827</u>	<u>199,914</u>
	<u>\$ 567,223</u>	<u>\$ 557,173</u>

Changes in the trusts consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Unrealized gains (losses)	\$ 10,050	\$ (93,376)
Distributions	<u>-</u>	<u>(26,365)</u>
	<u>\$ 10,050</u>	<u>\$ (119,741)</u>

NOTE 8. DONATED MATERIALS AND SERVICES

The Mission receives various donated materials such as food, clothing, supplies and equipment. The Mission's policy related to gifts-in-kind is to utilize the assets given to carry out the purpose of the Organization. Thus, the fair market value of contributed materials is reported as support and expense in the period which they were received. If an asset is provided that does not allow the Mission to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

The Mission also receives donated medical and other services for individuals in need of care. Contributed services are recorded if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The fair market value of contributed professional services is reported as support and expense in the period in which the services are performed. The table below summarizes the fair market value of contributed materials and services:

	<u>2023</u>	<u>2022</u>
Donated equipment	\$ 746	\$ 1,500
Donated food and supplies	318,840	277,511
Donated clothing	129,200	81,000
Donated services	<u>43,449</u>	<u>28,035</u>
	<u>\$ 492,235</u>	<u>\$ 388,046</u>

All contributed assets and services are used in the program services of the Mission.

Time has been donated by volunteers and board members of the Organization; however, such services are typically not recorded.

ALLENTOWN RESCUE MISSION, INC.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

NOTE 9. ANNUITIES PAYABLE

Charitable gift annuities and charitable remainder annuity trust consist of the following as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Charitable Gift Annuity created in 2001 requiring quarterly payments of \$7,187 to the donor for his lifetime.	\$ 97,392	\$ 104,244
Charitable Gift Annuity created in 2008 requiring quarterly payments of \$3,300 to the donor for his lifetime.	<u>84,053</u>	<u>88,201</u>
	<u>\$ 181,445</u>	<u>\$ 192,445</u>

On an annual basis, the Mission revalues the liabilities/assets of the split-interest agreements based on applicable mortality tables and discount rates, which vary from 6.6% to 7.2%.

NOTE 10. RETIREMENT PLAN

The Mission offers a 401(k) profit sharing plan whereby they contribute 6% of eligible wages to the plan annually. The Organization also offers a 401(k) plan whereby they will match up to 3% of eligible wages. Retirement expense was \$73,886 and \$72,320, for the years ended June 30, 2023 and 2022, respectively. In addition, a tax deferred annuity plan is available to staff members.

NOTE 11. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions is comprised of amounts for the following purposes as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Undesignated	\$ (416,270)	\$ 189,919
Board-designated for specified purpose:		
Working capital	150,000	150,000
Operating reserve	60,000	60,000
Emergencies	40,000	40,000
Investment in property	<u>2,544,042</u>	<u>2,681,380</u>
	<u>\$ 2,377,772</u>	<u>\$ 3,121,299</u>

ALLENTOWN RESCUE MISSION, INC.**Notes to Financial Statements****Years Ended June 30, 2023 and 2022****NOTE 12. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions, including assets that were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors, is comprised of amounts for the following purposes as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
<i>Subject to purpose:</i>		
Car program	\$ 20,000	\$ 20,000
Van purchase	3,140	3,140
Financial Literacy Program	2,500	2,500
Vocational training	8,717	16,517
Medical care for the underprivileged	<u>694,977</u>	<u>702,316</u>
	<u>729,334</u>	<u>744,473</u>
<i>Perpetual in nature:</i>		
Outside perpetual trust	<u>567,223</u>	<u>557,173</u>
	<u>567,223</u>	<u>557,173</u>
	<u>\$ 1,296,557</u>	<u>\$ 1,301,646</u>

Net assets which were released from donor restrictions for the years ended June 30, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
<i>Satisfaction of purpose restriction:</i>		
Vocation training	\$ 7,800	\$ 3,483
Equipment purchase	12,603	-
Medical care for the underprivileged	<u>7,339</u>	<u>1,014</u>
	<u>\$ 27,742</u>	<u>\$ 4,497</u>

NOTE 13. SPECIAL EVENTS

Revenue and related expenses of the Organization's major fundraising events are as follows:

<u>June 30, 2023</u>	Event <u>Contributions</u>	Cost of <u>Direct Benefits</u>	<u>Net Revenue</u>
Other events	<u>\$ 18,937</u>	<u>\$ (12,772)</u>	<u>\$ 6,165</u>
<u>June 30, 2022</u>	Event <u>Contributions</u>	Cost of <u>Direct Benefits</u>	<u>Net Revenue</u>
Other events	<u>\$ 46,335</u>	<u>\$ (7,375)</u>	<u>\$ 38,960</u>

ALLENTOWN RESCUE MISSION, INC.

Notes to Financial Statements

Years Ended June 30, 2023 and 2022

NOTE 14. RELATED PARTY TRANSACTIONS

The Organization receives funding and transfers funds to a related entity that holds those funds for investment. For the years ended June 30, 2023 and 2022 the Organization transferred funds in the amount of \$1,624,918 and \$0, respectively. The Organization received funds in the amount of \$0 and \$257,658 for the years ended June 30, 2023 and 2022.

Additionally the Organization has amounts receivable related to fund transfers in the amount of \$332,768 and \$0 as of June 30, 2023 and 2022, respectively.

NOTE 15. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in limited financial institutions. Accounts at the institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, bank balances are in excess of FDIC limits. The Organization has not experienced any losses as a result of these uninsured cash balances.